



**Senate Fiscal Agency**  
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## BILL ANALYSIS



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Senate Bills 582 and 583 (as reported without amendment)  
Sponsor: Senator Jack Brandenburg  
Committee: Finance

**CONTENT**

Senate Bill 582 would amend the General Property Tax Act to do the following:

- Require a county treasurer to keep any money or assets in a delinquent tax revolving fund separate from any other money, property, or assets in the custody of the county treasurer.
- Prohibit the county from using the money in the fund for any purpose except paying specific local units, as outlined in the Act.
- Provide that payment from the fund surplus to the county treasurer could not commence until after payment of the principal of and interest on issued notes and the expenses of borrowing to establish or continue the fund.
- Provide that notes issued and sold would be secured by a statutory lien on the delinquent taxes.
- Create a new Section 87f under which counties could, for six years, continue a delinquent tax revolving fund created under the existing provisions, and issue delinquent tax revolving notes under the Revenue Bond Act.

Senate Bill 583 would amend the Revenue Bond Act to address the process and procedures for borrowing money and issuing notes secured by delinquent tax revenue to be collected in connection with a delinquent tax system (a delinquent tax revolving fund continued under proposed Section 87f of the General Property Tax Act). The bill also would regulate the organization of accounts of a delinquent tax system.

MCL 211.87b et al. (S.B. 582)  
141.103 et al. (S.B. 583)

Legislative Analyst: Drew Krogulecki

**FISCAL IMPACT**

The bills would tend to result in lower debt service costs for county delinquent tax systems. The proposed establishment of a statutory lien on delinquent tax collections pledged to repay delinquent tax anticipation notes issued under current borrowing authority would increase the security of those debt instruments and tend to reduce borrowing costs for a county delinquent tax revolving fund. The proposed optional method of issuing delinquent tax anticipation notes under the Revenue Bond Act could lower costs for a county with some conditions of financial distress. Typically, revenue bonds have higher interest rates than general obligation bonds or notes; however, when credit market participants perceive a risk of municipal bankruptcy, revenue bonds may carry lower interest rates because the revenue stream dedicated to repay the revenue bonds (in this case, delinquent tax collections) is less likely to be impaired in a bankruptcy proceeding. The decision to issue notes under this proposed method would rest with the county treasurer. The amount of savings would depend on market conditions at the time of debt issuance and the volume and frequency of borrowing.

Date Completed: 12-9-15

Fiscal Analyst: Elizabeth Pratt

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Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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